

OPERATING AGREEMENT

GOVT PUBNS

AGREEMENT made the 28th day of February, 1986.

BETWEEN: CANADA MORTGAGE AND HOUSING CORPORATION
hereinafter called "CMHC"

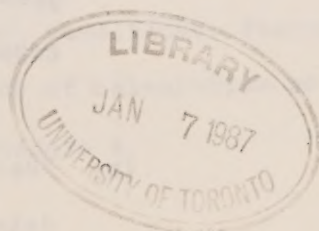
- and - PROVINCE OF ONTARIO as represented
by the MINISTER OF HOUSING
(hereinafter called "MOH").
and ONTARIO HOUSING CORPORATION
(hereinafter called "OHC")

WHEREAS the Government of Canada ("Canada") and the
Government of Ontario ("Ontario") have entered into a Global
Agreement on Social Housing ("the Global Agreement") dated the
28th day of February, 1986 enabling the parties thereto to share
the cost of any social housing programs or initiatives which
they wish to foster jointly;

AND WHEREAS Canada and Ontario have agreed in the Global
Agreement to cause this Operating Agreement to be entered into
for the purpose of carrying into effect the principles of the
Global Agreement;

AND WHEREAS the Global Agreement applies to programs
delivered through housing agencies defined in this Agreement;

AND WHEREAS CMHC and OHC are housing agencies of Canada and
Ontario respectively.



3 1761 11766450 8

NOW THEREFORE THIS AGREEMENT WITNESSETH that the parties hereto, in consideration of the mutual covenants hereinafter contained, agree each with the other as follows:

1. DEFINITIONS

- (a) The definitions contained in the Global Agreement shall apply to this Agreement.
- (b) "Act" means the National Housing Act.
- (c) "Active Party" means the party responsible for the delivery and administration of a program.
- (d) "Adjusted Income" means adjusted household income as described for each program in Schedule A.
- (e) "Administration" means all activity associated with a given program after a project's Interest Adjustment Date or commencement of subsidy assistance, including loan, project and agreement administration.
- (f) "Affordable dwelling" for purposes of determining Core Housing Need means a dwelling for which basic shelter costs are less than 30% of a household's income.
- (g) "Average market rent" means average basic shelter costs in a specific geographic area for unsubsidized, non-farm, rental dwellings where rent is reported as greater than zero and where no rent is attributable to commercial space.
- (h) "Basic shelter costs" for homeowners for purposes of determining Core Housing Need means the following costs associated with a household's principal residence:

- mortgage payment of principal;
- mortgage payment of interest;
- property taxes;
- payments for oil, gas, coal, wood or other fuels;
- payments for electricity;
- payments for water, sewerage and related costs;
- payments for regular maintenance and repair.

"Basic shelter costs" for renter households for purposes of determining Core Housing Need means the following costs associated with a household's principal residence:

- rent;
- payments for oil, gas, coal, wood or other fuels, electricity, water, sewerage and related costs.

- (i) "Budgetary Expenditures" means transactions which affect the deficit or surplus of the Governments of Canada or Ontario including subsidy assistance, net operating losses, loan forgiveness or recovery of non-budgetary expenditures and administrative expenditures.
- (j) "Commitment" means a written undertaking to finance or subsidize a specifically identified unit or project and to incur budgetary or non-budgetary expenditures related thereto.
- (k) "Cost-Sharing" means the sharing between Canada and Ontario of the eligible program costs covered by this Agreement according to the terms, conditions, frequency of payments and method or methods of calculation as set out in this Agreement and in Schedule A.

- (l) "Crowded dwelling" means a dwelling with more than one person per room with the exception of bathrooms, halls, pantries and closets, and any rooms used for business purposes; all rooms in the dwelling considered separate by the household are counted.
- (m) "Delivery" means all activity associated with a given program prior to a project's Interest Adjustment Date or commencement of subsidy assistance. This includes direct dealings with clients or the overseeing of a sponsor or delivery agent who deals directly with the client.
- (n) "Federal Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by CMHC for the purposes of this Agreement.
- (o) "Financing Interest" means the interest charges on net disbursements made by the Active Party on behalf of the other party.
- (p) "Global Agreement" means the enabling document referred to in the recitals above and signed by Canada and Ontario on 28 February 1986.
- (q) "Housing Agency" means CMHC, OHC, or any municipality, non-profit corporation or Native organization with whom CMHC, MOH or OHC may enter into agreements to carry out any program or initiative covered by the Global Agreement and this Agreement.
- (r) "Inadequate dwelling" means a dwelling needing major repairs or lacking basic facilities. Major repairs include, but are not limited to, defective plumbing,

defective electrical wiring, structural repairs to walls, floors, ceilings. Basic facilities are hot and cold running water, an indoor toilet and a bathtub or shower.

- (s) "Income", for purposes of determining Core Housing Need, means gross household income.
- (t) "Native" means Metis, non-status Indian, Indian as defined in the Indian Act and living off-reserve, or Inuit.
- (u) "Non-Budgetary Expenditures" means transactions which will be reflected in the accounts of Canada or Ontario as an increase or decrease of assets and which will not increase or decrease their surplus or deficit. This includes loans or investments.
- (v) "Planning and Monitoring Committee" means the committee cited in the Global Agreement and described in section 6 of this Agreement.
- (w) "Priority Groups" means all those households in Core Housing Need, as defined in the Global Agreement.
- (x) "Provincial Assistance" means a contribution, grant, subsidy, interest free or interest reduced loan or forgivable loan made by Ontario or its municipalities for the purposes of this Agreement.
- (y) "Renovation" means any work undertaken on an existing dwelling, including repair, rehabilitation, improvement or conversion of the dwelling.

- (z) "Rural" means rural areas or communities having a population of 2500 persons or less, unless otherwise specified in Schedule A.
- (aa) "Special purpose housing" means hostel or self-contained housing, used as a principal residence, which includes on-site care services and facilities, excluding food, related to residents' common physical, social and emotional condition or disability.
- (bb) "Suitable dwelling" for purposes of determining Core Housing Need, means a dwelling which can accommodate a household according to the following household size/ dwelling size relationship: 1 person - studio; 2 people - 1 bedroom; 3-4 people - 2 bedrooms; 5 or more people - 3 or more bedrooms.
- (cc) "Urban" means communities having a population of more than 2500 persons, unless otherwise specified in Schedule A.
- (dd) The definitions contained in the Act shall apply to this Agreement.

2. SCOPE OF THE OPERATING AGREEMENT

- (a) The recitals herein shall form an integral part of this Agreement.
- (b) This Agreement applies to the acquisition, development, construction, renovation and provision of projects; assistance for households; and to the delivery and administration of programs covered herein.

(c) This Agreement applies to all new commitments made under the following programs and any future programs of CMHC, MOH and OHC which are consistent with the goals and objectives of the Global Agreement and are agreed to between the parties:

- Non-Profit Housing Program
- Rent Supplement Program

(d) In 1986, CMHC and MOH/OHC will cost-share 75/25 respectively the Rural and Native Housing Homeownership and Rental Program in accordance with the eligible program costs and the terms and conditions in the existing Section 40 RNH Agreement dated 31 December 1979 and CMHC will deliver all Rural and Native Housing. The parties will continue discussions on RNH with a view to provincial assumption of cost-sharing on a 75/25 basis and delivery under a new Section 40 RNH Agreement prior to 1 January 1987. Subject to Provincial Cabinet approval, it is the intent that the new program provisions and full benefits available under the new Section 40 RNH Agreement be provided to those in receipt of assistance committed in 1986 under the 31 December 1979 Section 40 RNH Agreement.

(e) The Global Agreement enables either party to initiate or develop new programs which may be cost-shared by them with the approval of the other party. Whenever Canada or Ontario decide to initiate a new program which is to be cost-shared they shall provide a description of such program to be included as part of Schedule A to this Agreement. This Schedule shall be duly reviewed and, once approved, signed by MOH/OHC and CMHC and will include further details such as administrative and financial arrangements, and other program details which are necessary.

- (f) This Agreement applies only to programs and commitments made under this Agreement and does not affect any commitments made under existing Agreements between the parties unless otherwise agreed to by both parties.

3. FEDERAL RESPONSIBILITIES

- (a) Within the limits of approved budgets CMHC agrees:
 - i) to insure loans made by approved lenders for capital financing for housing projects under Part I of the National Housing Act;
 - ii) to make loans under Section 37.1 of the National Housing Act for proposal development funding;
 - iii) to make contributions pursuant to Section 56.1 of the Act to eligible contribution recipients to enable them to meet the costs of rental accommodation and reduce the rentals thereof.
- (b) All loans, contributions and other assistance referred to in subsection (a) shall be subject to the provisions of the Act, this Agreement and the Global Agreement.
- (c) CMHC also agrees to make Rural and Native housing projects available pursuant to Section 40 of the Act in accordance with an agreement entered into under that section;

4. CONDITIONS FOR PROVINCIAL DELIVERY AND ADMINISTRATION

(a) Within the legislative authority of the Province, the Minister of Housing may deliver and administer programs and otherwise carry out this Agreement through the Ontario Housing Corporation, a Crown Agency of the Province. MOH or OHC may assume responsibility for the delivery and administration of any program covered by this Agreement, subject to the fulfillment of the following conditions for such programs which it delivers and administers. It is understood that MOH or OHC shall assume responsibility for on-going program administration for any program which it delivers.

i) The Parties shall share the eligible program costs, as set out in Schedule A, for such programs which are covered by this Agreement.

ii) MOH or OHC shall direct assistance under such programs to eligible clients for each program as specified in Schedule A. Over any three-year period MOH or OHC may direct no more than an average of 10 percent of Ontario's total allocation for the Non-Profit Housing, Rural and Native Housing Homeownership and Rental, Urban Native Non-Profit Housing and Rent Supplement Programs to special purpose housing.

iii) MOH or OHC shall deliver and administer such programs in accordance with the Act, the Regulations thereunder, the provisions of Schedule A and mutually agreed upon guidelines for each program.

iv) MOH or OHC shall participate in a joint planning process with CMHC, and shall provide on a timely basis all information outlined in this Agreement and Schedules A and C to ensure program objectives and accountability of both the federal and provincial governments, including financial requirements, are met.

v) MOH or OHC shall ensure access to delivery of such programs by sponsors, delivery groups or agents specified in Schedule A for each program.

(b) The above does not preclude, with the agreement of both parties, delivery and administration of programs by CMHC where those programs are cost-shared by the MOH/OHC.

5. RESPONSIBILITIES OF THE ACTIVE PARTY

(a) The Active Party agrees:

i) to establish and implement program procedures, and to deliver and administer programs in an efficient and effective manner;

ii) to undertake, inter alia, the assessment of project feasibility, project selection, project development, inspection, certification of project commitment, client selection, development of occupancy guidelines, verification of occupant incomes, approval of project annual operating budgets, calculation of eligible project costs, and loan, subsidy and project administration.

- (b) The Active Party shall be responsible for ensuring the program objectives and guidelines are met, consistent with the conditions covered in Section 4 of this Agreement.

6. PLANNING AND MONITORING COMMITTEE

- (a) CMHC and MOH/OHC shall establish a Planning and Monitoring Committee which they shall chair jointly.
- (b) CMHC's co-chairperson shall be the General Manager for Ontario and MOH's co-chairperson shall be the General Manager, Ontario Housing Corporation.
- (c) The Committee shall meet no less than four times annually and shall meet at the call of either co-chairperson.
- (d) The mandate of the Planning and Monitoring Committee shall be to conduct the joint planning process described in Section 7 and to monitor the implementation and achievements of the three-year plan.
- (e) The functions and responsibilities of the Planning and Monitoring Committee shall include:
 - i) reviewing the three-year plan prepared by MOH/OHC for those programs where MOH/OHC is the Active Party, in accordance with the provisions of Section 7;
 - ii) reviewing the three-year plan prepared by CMHC for those programs where CMHC is the Active Party, in accordance with the provisions of Section 7;

- iii) proposing revisions to the consolidated three-year plan;
- iv) reviewing on a regular basis the progress during the year of the implementation of the plan, including budgetary and non-budgetary expenditures and their related cash flows;
- v) undertaking a thorough annual analysis of the achievement of the objectives set out in this Agreement and put into effect through the three-year plan;
- vi) reviewing and following-up on operational audit plans and recommendations;
- vii) proposing modifications to the programs covered by this Agreement, and to program guidelines including adjustments to market rents and Maximum Unit Prices;
- viii) monitoring conformity with the provisions for publicity and information outlined in Section 17 of this Agreement;
- ix) providing a forum for the sharing of information resulting from research, studies, surveys and other activities;
- x) monitoring compliance with the Global Agreement and this Agreement, including the identification of contentious issues or failure to comply with the terms and conditions of both Agreements;
- xi) such other functions and responsibilities as the parties may mutually agree upon.

7. JOINT PLANNING PROCESS

(a) MOH/UHC and CMHC shall undertake a joint planning process for the purpose of developing an ongoing three-year plan which identifies the most cost-effective and appropriate social housing strategy to meet the objectives of the Global Agreement and of the Schedules to this Agreement.

(b) The Planning and Monitoring Committee shall undertake the following functions:

i) the exchange of data, research, survey results and any other information relevant to the determination of social housing needs and market conditions;

ii) the recommendation by Census Metropolitan Areas (CMA) and the broad geographic regions listed below, of the need by priority groups for new or acquired housing, rent supplement assistance and renovation assistance and of the need for special purpose accommodation, and the development of the most appropriate strategy to address those needs:

- Southwest Region
- Central Region
- Southern Region
- Northern Region
- Northwestern Region
- Eastern Region

iii) the recommendation of a proposed level of annual activity over the three-year period, by Census

Metropolitan Areas and each geographic region, for each program covered by this Agreement, taking into account the identified needs, the activities in prior years of the plan, social housing programs of either party not covered by this Agreement, and factors affecting delivery capability;

- iv) for the Native component of Rural and Native Housing Programs, the functions identified in (i) to (iii) above shall be undertaken by the RNH Tripartite Management Committee and the results incorporated into the proposed three-year plan;
- v) the forecasting of annual budgetary and non-budgetary requirements over the three-year period, for each program covered by this Agreement in a manner acceptable to the parties as outlined in Schedule A;
- vi) the review of a proposed consolidated three-year plan covering each year of the planning period.

- (c) Members of the Planning and Monitoring Committee shall submit the proposed consolidated three-year plan to their respective agencies for required approvals.
- (d) CMHC and MOH/OHC, respectively, shall seek the necessary budgetary authorities on the basis of the approved three-year plan, and shall communicate receipt of authorized annual budget levels to the other party.
- (e) The approved three-year plan and annual budget authorities shall be appended to this agreement as Schedule B and shall be updated annually.

(f) Members of the Planning and Monitoring Committee shall submit to their respective agencies for required approvals, any proposed major changes affecting allocations to client groups and geographic areas or any proposed increases to approved budgetary or non-budgetary requirements identified in the approved three-year plan. Changes to allocations among programs are subject to the provisions of Section 12 of this Agreement.

(g) The joint planning process shall be undertaken in accordance with the calendar contained in Schedule C.

8. INFORMATION REQUIREMENTS

(a) The Active Party shall collect and make available to the other party all information, including financial requirements, necessary to ensure program objectives and accountability requirements of both parties are met. This information will be provided at specified intervals, during the planning, delivery, commitment and post-commitment stages and for the duration of federal and provincial financial assistance to a project.

(b) The Active Party agrees to provide, from time to time, to the other party such additional information needed to enable both parties to be accountable for actions taken under the programs.

(c) The information requirements specific to individual programs are outlined in Schedule A.

9. EVALUATION

- (a) The parties may undertake, where possible, joint program evaluations, in accordance with the provisions of Subsection 4.5 of the Global Agreement.
- (b) Evaluations shall be undertaken for each program covered by this Agreement, on a cyclical basis at three to five year intervals.
- (c) Program evaluations shall be undertaken to determine the continued need for programs, their effectiveness in meeting objectives, their results and impacts and alternative program design and delivery features.
- (d) Program evaluations shall be based on information available on an on-going basis, as outlined in Schedule A, as well as periodic surveys, research studies and other sources of data and analysis. Any such studies, when undertaken for joint evaluations, shall be cost-shared by the parties. Where evaluations are undertaken by one party individually, the parties shall cooperate fully with each other in collecting and sharing information.
- (e) In order to identify information requirements for program evaluations, the parties agree to develop plans for future evaluations, within six months of the signing of this Agreement.
- (f) Program evaluations undertaken jointly shall be done in accordance with the governing authorities of the parties' respective governments.

10. OPERATIONAL AUDITS

- (a) The parties shall undertake joint operational audits in accordance with the provisions of Sub-section 4.6 of the Global Agreement to determine whether the programs are being delivered and administered in accordance with the Global and Operating Agreements and the related guidelines.
- (b) Operational audit is an audit undertaken to assess the adequacy of management controls and processes; the propriety of transactions; the economy, efficiency and administrative effectiveness of delivery and administration systems; and the compliance by the Active Party to the terms and conditions of the agreements and program guidelines.
- (c) Operational audits shall be undertaken for each program covered by this Agreement on a cyclical basis within a four-year period.
- (d) The scope, timing, and resources required for operational audits shall be mutually agreed upon.
- (e) The operational audits shall not duplicate audits performed to verify compliance by clients with the terms and conditions of the programs.
- (f) Operational audits shall be cost-shared by the parties, in accordance with the cost-sharing provisions of each program as specified in Schedule A.
- (g) The parties agree to develop plans for the first cycle of operational audits within six months of the signing of this Agreement.

11. ALLOCATION

- (a) The allocation process shall be as outlined in Section 5.3 and Schedule 1 of the Global Agreement.
- (b) Over any three-year period no more than an average of ten percent (10%) of Ontario's total allocation for the Non-Profit Housing, the Rural and Native Housing Homeownership and Rental, the Urban Native Non-Profit Housing and Rent Supplement Programs may be used for special purpose housing.
- (c) The remaining social housing allocation shall be distributed among the programs covered by this Agreement as specified in the approved three-year plan.
- (d) Taking into account those aspects of the planning process listed in clause 7(b)(iii), the Active Party shall assist families and senior citizens within the priority groups with the intent to direct this assistance in accordance with their share of Core Housing Need relative to each other.
- (e) Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

12. REDISTRIBUTION OF FUNDS AND UNITS

Redistribution of funds or units among programs, but not between budgetary and non-budgetary allocations, may be made, subject to the following conditions:

- (a) The redistribution shall be permitted only with respect to the funds or units planned for year one of the three year plan as set out in Schedule B of this Agreement and consistent with the financial authorities of each party.
- (b) The Active Party may redistribute up to 10 percent of the allocation for those programs which it delivers and administers.
- (c) The Active Party shall notify the other party of all redistribution. Any redistribution which exceeds the limits specified must receive the prior approval of both parties.
- (d) CMHC shall take steps to review the existing controls over redistribution with the intent of providing increased flexibility.

13. INSURED LOANS

- (a) This section applies to the Non-Profit Housing Program for which financing is provided by approved lenders and insured by CMHC under Part I of the Act.
- (b) OHC shall be responsible, on behalf of CMHC, for the underwriting process for insuring loans provided by approved lenders, including site and plans examination, appraisal, cost estimates, determination of loan amount, and approval of financing terms and conditions.
- (c) OHC shall prepare a commitment letter to the lender for approval by CMHC. Where the commitment letter has been approved, CMHC shall issue to the lender an undertaking

to insure, upon receipt from MOH of a notice of commitment and submission by the approved lender of the required underwriting documentation.

- (d) OHC is responsible for authorizing all advances and undertaking inspections to ensure compliance with the plans and specifications and applicable building standards, and to determine the value of the work in place.
- (e) CMHC will issue an insurance policy to the approved lender upon notification by OHC that the loan is fully advanced and the interest adjustment date has been set.
- (f) No application fees will be charged by CMHC or MOH/OHC and no premium will be due to CMHC for the underwriting and issuance of the insurance policy.
- (g) Claims by approved lenders on the Mortgage Insurance Fund will be processed by CMHC pursuant to the Act, the National Housing Loan Regulations and applicable guidelines in effect from time to time.
- (h) CMHC and OHC shall enter into an agreement to cost-share any costs which may be sustained by the Mortgage Insurance Fund in accordance with the terms and conditions set out in Schedule A and based on the following cost-sharing principles:
 - i) OHC shall, with the prior agreement of CMHC, take all reasonable steps to avoid defaults. The costs of the steps related to that part of a project assisted by CMHC shall be agreed to by both parties and cost-shared according to the cost-sharing arrangements for the program through which the project was assisted;

ii) OHC and CMHC shall share the costs related to that part of a project assisted by CMHC under this agreement according to the cost sharing arrangements for the program through which the project was assisted;

iii) OHC shall assume all costs related to that part of a project not assisted by CMHC under this agreement.

14. NON-BUDGETARY COMMITMENTS AND EXPENDITURES

(a) This section applies to the Proposal Development Funding for the Non-Profit Housing Program, for which non-budgetary expenditures are provided under Section 37.1 of the Act or by MOH/OHC.

(b) MOH/OHC and CMHC shall provide non-budgetary funds, in accordance with the provisions of Schedule A.

(c) MOH/OHC shall approve commitments to incur non-budgetary expenditures for private non-profit corporations and continuing co-operative housing associations and shall deliver to CMHC a notice of commitment, on a mutually acceptable form, within thirty (30) days of the end of the month in which the commitment was made. Receipt of a notice of commitment shall be acknowledged within ten (10) working days of receipt.

(d) Commitments shall be made at interest rates acceptable to both parties.

- (e) Prior to commitment of non-budgetary funds, MOH/OHC shall be responsible for reviewing applications and proposals to ensure compliance with criteria, as outlined for each program in Schedule A.
- (f) During the advancing phase, MOH/OHC shall be responsible for ensuring that appropriate controls are in place and that, prior to authorizing any advance, the necessary requirements, as outlined for each program in Schedule A, have been met.
- (g) MOH/OHC shall not commit non-budgetary funds in excess of approved annual budgets contained in Schedule B. Any proposed increases to non-budgetary allocations shall be submitted through the Planning and Monitoring Committee to the respective agencies for the required approvals.
- (h) The budget period for non-budgetary commitments is the calendar year. To the extent that non-budgetary funds are not committed by December 31, they shall lapse.
- (i) Current year commitments, including increases with respect to commitments made in previous years, shall be applied against the current year allocation.
- (j) Where a commitment is cancelled or decreased during the year in which it has been made, the related commitment authority shall be credited to the budget for that year. Cancellations or decreases of commitments approved in a prior year shall not alter the current year's budget. Each commitment increase, cancellation, or decrease shall be reported by the MOH/OHC to CMHC, on a mutually acceptable form.

- (k) MOH/OHC shall provide to CMHC within five (5) working days following the end of the month a summary report of funds committed.

15. BUDGETARY COMMITMENTS AND EXPENDITURES

- (a) This section applies to budgetary commitments and eligible budgetary expenditures which shall be cost-shared by CMHC and MOH for each program, as set out in Schedule A.
- (b) MOH/OHC shall approve commitments to incur budgetary expenditures and shall deliver to CMHC a notice of commitment on a mutually acceptable form. Where an insured loan is being sought, the notice of commitment shall be submitted to CMHC with the request for an undertaking to insure. Where an insured loan is not required, MOH/OHC shall deliver to CMHC the notice of commitment within thirty (30) days of the end of the month in which the commitment was made. Receipt of a notice of commitment shall be acknowledged within ten (10) working days.
- (c) MOH/OHC shall not commit units or disburse amounts in excess of approved budgetary limits contained in Schedule B. Any proposed increases to budgetary allocations shall be submitted through the Planning and Monitoring Committee to the respective agencies for the required approvals.
- (d) The budget period for budgetary commitments is the calendar year and for budgetary expenditures is the fiscal year ended March 31. To the extent that units or budgetary commitments are not committed by December 31 and budgetary expenditures are not incurred by March 31, they shall lapse.

- (e) CMHC shall not share any budgetary expenditures which are not included in, or which are in excess of, the eligible program costs outlined in Schedule A, or which are incurred prior to commitment, unless otherwise agreed to.
- (f) Current year commitments, including increases with respect to commitments made in previous years, shall be applied against the current year allocation.
- (g) Where a commitment is cancelled or decreased during the year in which it has been made, the related commitment authority may be credited to the budget for that year. Cancellations or decreases of commitments approved in a prior year shall not alter the current year's budget. Each commitment increase, cancellation, or decrease shall be reported by the MOH/OHC to CMHC on a mutually acceptable form.
- (h) Commitments shall lapse if construction, acquisition or renovation of a project has not been started within six (6) months of the date of the notice of commitment or approved application.
- (i) Proceeds on the sale, demolition or destruction of assets under a program shall be shared in proportion to the share of budgetary expenditures for that program.
- (j) MOH/OHC shall report to CMHC within five (5) working days following the end of the month a summary report of units or funds committed by program.

16. FINANCIAL REPORTING AND CLAIMS SETTLEMENT

- (a) MOH/OHC shall submit all claims for settlement relating to budgetary and non-budgetary expenditures, net of any monies received, on a monthly basis within thirty (30) days of the end of the month to which the disbursements/receipts relate.
- (b) MOH/OHC shall be reimbursed by CMHC for financing interest on net expenditures, as specified in Schedule A, provided that an interim settlement is submitted no later than thirty (30) days after the month in which the Active Party incurred the expenditures.
- (c) MOH/OHC shall pay financing interest on the other party's share of budgetary and non-budgetary receipts in a manner as specified in Schedule A.
- (d) Interim and final settlements shall be submitted in the format specified in Schedule A or as mutually agreed by both parties.
- (e) All claims for settlement shall be certified by a senior financial officer of MOH/OHC.
- (f) MOH/OHC shall submit to the other party by April 30 of each year, a statement of budgetary expenditures incurred but not disbursed, as at the preceding March 31.
- (g) MOH/OHC shall submit to CMHC, by September 30, an audited final statement of expenditures by program for the previous year ended March 31. Should this statement not be received by September 30, CMHC may

retain a holdback on current year claims equal to 5% of the claims paid for the previous fiscal year.

Notwithstanding section 16(b), no financing interest will be payable on this holdback.

(h) The final statement of expenditures shall be audited by an auditor acceptable to both parties.

(i) The auditor of the final statement of expenditures shall state that the audit was performed in accordance with generally accepted auditing standards, that the statement presents fairly the expenditures by programs, and that the expenditures were incurred in accordance with the financial terms and conditions of the Operating Agreement and program guidelines.

17. PUBLICITY REQUIREMENTS

CMHC and MOH/OHC will cooperate in the development and implementation of a program of public information and publicity respecting projects and programs funded pursuant to this Agreement that accurately reflects the role and contribution of Canada and Ontario, with all costs related thereto being jointly shared, and without limiting the generality of the foregoing will require, that

(a) unless otherwise agreed by both Parties, during the course of carrying out work on any project, the MOH/OHC shall supply, erect and maintain a project sign or signs specifying that the project is being financed by Canada and Ontario;

(b) unless otherwise agreed by both Parties, upon completion of work on each project, the MOH/OHC

shall supply, erect and maintain a sign or plaque to the effect set forth in clause (a);

- (c) MOH/OHC shall inform the other party of any ceremony related to programs and projects funded under this agreement thirty working (30) days prior to such ceremonies and shall ensure the Ministers responsible for MOH and CMHC and the Chairman or President respectively of OHC and CMHC shall be invited to any ceremonies associated with such programs and projects. Ceremony dates are to be mutually agreed to by both parties within ten (10) working days of notice of the tentative date set by MOH/OHC;
- (d) the format and means of distribution of any announcements relating to this Agreement or to programs and projects undertaken pursuant hereto shall be mutually agreed upon and arranged jointly. MOH/OHC shall provide the other party, for input and approval, drafts of such announcements fifteen (15) working days prior to public release;
- (e) any program information including signs, plaques, brochures, pamphlets, or other items of program information and cheques shall fully recognize the contributions of both parties and shall have the prior approval of both parties.
- (f) both parties recognize the need to provide services to the public, information and publicity material, including signs, plaques and announcements, in both official languages.

18. TERMINATION

This Agreement shall automatically terminate in the event of, and on the same date as, termination of the Global Agreement subject to funding commitments and other arrangements made hereunder. Such termination shall not alter or terminate commitments, nor arrangements for the administration of occupied stock, made prior to termination of this Agreement.

19. AMENDMENT

The schedules hereto may be altered or deleted, or new schedules added from time to time by mutual agreement of the parties. Each party shall notify the other by April 1 of any given year of any proposed amendments to the schedules which may be implemented in the following calendar year.

20. PHASING-IN

Each program covered by this Agreement may be phased-in by arrangements mutually agreed upon between the parties hereto.

21. OTHER PROVISIONS

(a) MOH/OHC will make or cause to be made available to the other party all documents, books, records and accounts pertaining to the cost of construction, acquisition, development, renovation and delivery and administration of a project relating to all programs covered by the Global Agreement, for the purposes of operational or financial auditing.

- (b) The parties will ensure that all documents, statements of charges, receipts and files pertaining to any project or program are safely kept as long as required by legal prescription, and in no case for less than seven (7) years.
- (c) Where the MOH/OHC becomes aware of any irregularity or potential legal infraction in the delivery or administration of a program, it shall immediately inform the other party. MOH/OHC shall carry out all investigations and take all steps necessary to resolve the problem or irregularity, provided that, should CMHC advise MOH/OHC of its desire to actively participate in such investigations or other actions, it shall be permitted to do so.
- (d) The parties are jointly responsible for all claims resulting from the application of both the Global and the Operating Agreements, provided that the Active Party shall indemnify and save the other party harmless from any claim, action, dispute or any other matter involving third parties arising from the delivery and administration of programs and projects.
- (e) All construction activities carried out during the implementation of both the Global and Operating Agreements are to be carried out in compliance with the legislation, regulations and building codes and standards governing each respective level of government.

(f) Wherever available, Canadian materials, products and human resources must be employed during the implementation of both the Global and the Operating Agreements. All ensuing contracts should be entered into in compliance with both the Canadian and Provincial laws relating to human rights.


(g) This Agreement shall not be assigned or otherwise transferred by either party hereto.

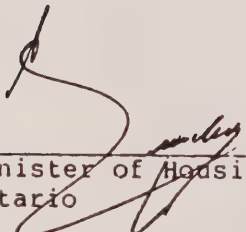
(h) In the event of conflict between any provision of this Agreement and any provision of the Global Agreement, the latter shall govern.

(i) The Schedules hereto are an integral part of this Agreement.

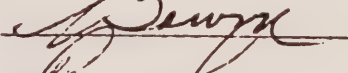
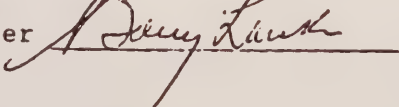
IN WITNESS WHEREOF, the parties hereto have set their hands and seals in execution of these presents.

Signed at Toronto this 28th day of February
nineteen hundred and eighty-six in quadruplicate.

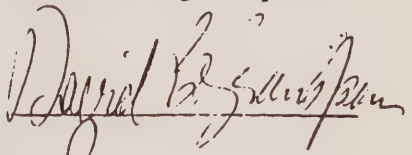
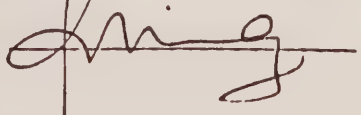

Minister Responsible for
Canada Mortgage and Housing
Corporation


Minister of Housing for
Ontario

Canada Mortgage and
Housing Corporation

per 
per 

Ontario Housing Corporation

per 
per 

SCHEDULE C

Calendar for Joint Planning Process

<u>Activity</u>	<u>Date</u>
1. MOH/OHC and CMHC exchange data and information on needs and market conditions by specified geographic areas and regions and notify each other of any proposed changes for the upcoming calendar year to the Operating Agreement, including the Schedules. Planning and Monitoring Committee meets to assess needs by program type for each specific geographic area.	April 1
2. MOH/OHC submits report to CMHC on determination of need.	May 15
3. CMHC advises MOH/OHC of tentative allocations for upcoming 3-year period.	May 25
4. The Committee meets to review a proposed level of annual activity by specific geographic areas and regions and client type over the three-year period, and to forecast annual budgetary and non-budgetary requirements over this period.	June 1
5. MOH/OHC and CMHC each send an advance copy of their respective draft plans to the other for information.	June 15
6. Committee meets to review draft consolidated three-year plan.	July 1
7. Committee submits proposed plan to MOH and CMHC for approval.	August 1
8. CMHC confirms the budgetary and non-budgetary allocations for year one of the three-year plan.	January 2

NON-PROFIT HOUSING PROGRAM
ONTARIO

This Program will be delivered and administered by the Ministry of Housing for Ontario (MOH).

1. OBJECTIVE

To assist households in need to obtain affordable, adequate and suitable rental housing.

2. PROGRAM DESCRIPTION

The Non-Profit Housing Program provides subsidized rental housing projects owned and operated by the Province, its Municipalities, Public or Private Non-Profit Housing Corporations and Non-Profit Continuing Cooperative Housing Associations. The maximum annual subsidy payable to projects without on-site care or support services is equal to the difference between eligible annual operating costs and revenues, and is shared on a 60/40 basis by Canada and Ontario. The maximum annual assistance to special purpose projects is the difference between the amount required to amortize eligible project costs over a maximum of 35 years and the amount required to amortize such costs if the interest rate charged were 2 per cent per annum, shared on a 60/40 basis by Canada and Ontario.

Rents are calculated according to a rent-to-income scale and adjusted household incomes as defined in Appendix "1" of this Schedule. Projects may be financed by Ontario or

- 2 -

privately financed by an uninsured loan or by an NHA insured loan made by an NHA Approved Lender. In all cases, loans will be amortized over the lesser of the useful life of the project or 35 years for up to 100% of total lending value.

For non-profit and targeted cooperative projects, a comparative project selection process will be used by MOH, to ensure the best targetted and most cost-effective projects are committed. Development Assistance Funding may be provided to support the development of project proposals. CMHC, through Proposal Development Funding loans, will cost-share such assistance for eligible private non-profit sponsors and continuing cooperative associations.

Enabling Federal Legislation

National Housing Act:

- . Insured loans - Part I;
- . Subsidy Assistance - Section 56.1;
- . Proposal Development Funding - Section 37.1.

Enabling Provincial Legislation

Ministry of Municipal Affairs and Housing Act:

- . Section 4.

Housing Development Act:

- . Section 2.

- 3 -

3. ELIGIBILITY CRITERIA

3.1 Sponsors

Eligible sponsors/owners are the Province, Municipalities, Public or Private Non-Profit Housing Corporations and targetted Non-Profit Continuing Cooperative Housing Associations which are eligible contribution recipients defined in the Act. All capital or shares in a Public Non-Profit Housing Corporation will be owned by a public body, including a municipality, province or other level of government. No capital or shares in a Private Non-Profit Housing Corporation will be owned by a public body. The shares in a Non-Profit Continuing Cooperative Housing Association are owned by the members.

3.2 Clients

Eligible clients for cost-shared assistance are those households who are in core housing need, as defined in the Global Agreement, and those with special purpose housing need. Other households not in core housing need will not be eligible for cost-shared assistance under the program.

3.3 Projects

Projects can be developed through new construction, the purchase of existing housing with or without subsequent rehabilitation, and the conversion of existing buildings. Any building form which can be produced at costs acceptable to MOH and CMHC will be eligible for assistance

- 4 -

under the program. Projects may include compatible non-residential community, care or commercial space which is financially self-supporting. As a general guideline, at least 5% of the units produced under the program each year, in non-special purpose projects, will be accessible and designed as "mobility" units, as defined in program guidelines. Demand will be considered in determining the number of "mobility" units in any particular project. Further modifications to these units may be undertaken to meet the needs of particular clients. As outlined in program guidelines, such modifications are eligible for cost-sharing.

3.4 Occupants

MOH will ensure that all households selected to occupy projects/units receiving cost-shared assistance under the program are households in need. As a first priority, "mobility" units are to be occupied by households in need in which at least one person is physically disabled.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Proposal Development Assistance Funding

- . Interest-free proposal development assistance funding loans can be provided to organizations intending to serve individuals or families of low income or the disabled, for two purposes: to cover the cost of organization and administration during the project development phase and to cover the cost of technical consultants.

- 5 -

- . CMHC will cost-share on a 60/40 basis the budgetary expenditures associated with repayable interest-free proposal development assistance funding loans to private non-profit and continuing cooperative housing groups for up to \$75 000 per project. The cost of forgiving these loans if a project does not proceed to commitment will be cost-shared on the same basis.

The maximum loan to any sponsor will depend on the size and complexity of the proposed project and the work to be done in each successive phase of project development. Activities for which proposal development assistance funding may be provided include: group incorporation; legal costs; demand studies; best buy analysis; economic feasibility analysis; soil tests; site plans; drawings and specifications; preliminary capital and operating cost estimates; and options/offers to purchase.

Initial loans of up to \$10 000 per project may be provided to enable eligible sponsors to prepare applications for conditional allocations. Where new construction or major renovations are planned, the initial loan may be increased by \$150 per planned unit, up to a cumulative maximum of \$30 000. Further loans can be provided to a cumulative maximum of 1.75 percent of eligible capital costs, to enable sponsors,

- 6 -

who have been awarded a conditional allocation, to complete all outstanding requirements for a timely commitment.

Development assistance funding loans for technical services will be limited to fees charged for technical services up to the time of project commitment and will be subject to MOH approval.

4.2 Eligible Project Capital Costs

A project's total eligible costs pertain only to the units committed under the program and are for the residential portion only, as specified in program guidelines. These costs include, but are not limited to, land acquisition and servicing, construction/rehabilitation/conversion costs, landscaping costs, resource group/consultant fees, organization expenses, interest and other fees and charges as outlined on the form CMHC 301 (2/85), and must not exceed the lesser of an appraisal estimate of such costs or the Maximum Unit Price applicable to the units at the time of commitment.

Interest rates must be competitive and acceptable to both parties. Interest rates used where financing is provided by MOH must be representative of the MOH's actual borrowing costs.

- 7 -

4.3 Ineligible Project Capital Costs

Projects may contain residential dwelling units in addition to those committed under the program as well as non-residential space. No costs associated with the development, financing or operation of the additional units or non-residential space will be eligible for cost-shared assistance under the program. Ineligible residential and non-residential costs will include a prorated share of the project's soft costs, the land value, and costs of mechanical systems.

4.4 Acceptable Project Capital Costs/Lending Value

Acceptable project costs, used to determine the lending value, are the eligible costs within the Maximum Unit Price, the cost of the ineligible residential portion plus the cost of additional non-residential space which cannot exceed 15 per cent of the cost of the residential portion of the project and 20 per cent of its floor area.

4.5 Costs Eligible for Assistance

Only the actual eligible project costs of the residential component of a project within the Maximum Unit Price are eligible for cost-shared subsidy assistance.

4.6 Insured Loans

When the Ontario Housing Corporation has entered into a loan insurance agreement with CMHC, approved lender loans for up to 100% of a project lending value can be insured by CMHC under Part I of the Act. MOH will ensure that

- 8 -

insured loans to all eligible sponsors will be at interest rates and terms acceptable to CMHC and MOH at the time of commitment.

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targeting

MOH will ensure that all cost-shared units in this program are allocated to Census Metropolitan Areas (CMA's) and the six geographic regions on the basis of their relative share of core housing need, taking into account the amount of rent-gearred-to-income housing already developed to address the defined need in each area and region and in accordance with the approved three-year plan attached as Schedule B of the Operating Agreement. Taking into account the planning process, MOH shall assist families and senior citizens within the priority groups in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels shall not exceed their proportionate share of need.

MOH will ensure that a minimum proportion of the annual allocation under this program, to be agreed upon with CMHC, and specified annually in Schedule B of the Operating Agreement, is made available to Private Non-Profit Housing Corporations, including Non-Profit Continuing Cooperative Housing Associations, which meet those project selection criteria pertaining to client targeting.

- 9 -

5.2 Project Selection - Public/Private/Continuing

Cooperative, Non-Profits

Within the Census Metropolitan Areas and six Regions, projects proposed by public, private non profit groups and cooperative housing associations in response to a public invitation, will be selected on the basis of a fair and equitable comparative process, which will not give public, private non-profit or cooperative sponsors any special advantage. This process, described in Schedule B of the Operating Agreement, will allow the objective comparison of non-profit and cooperative proposals, and will give equal weight to a priority ranking system and cost-effectiveness measurements in targeting to core need. This ranking system and cost-effectiveness measurements will be publically known and acceptable to both parties. The priority ranking system considers, but is not limited to: targeting, group capability, project location, site and project design. An initial selection of projects will occur in the pre-allocation year followed by final selection at the beginning of the allocation year. The final selection process will result in conditional allocations. A conditional allocation is not a commitment, and can be withdrawn should it become evident that the proposal will be unable to meet all project eligibility and commitment criteria on the deadline for a final application. Proposals which are unsuccessful in one comparison will be reviewed again and compared with other proposals in a subsequent comparative process. Where demand is less than the allocation in a market area, MOH will take steps to ensure the development of appropriately targeted and cost-effective projects.

- 10 -

5.3 Project Selection - Special Purpose Housing

MOH will develop and select the most cost-effective special purpose non-profit projects after assessing needs for particular types of projects and client groups within a market area after weighing the relative merits of new construction versus the acquisition of existing structures and after assessing the costs and benefits of various housing acquisition techniques appropriate to local market conditions.

6. COMMITMENT

6.1 Proposal Development Assistance Funding

A proposal development assistance funding loan commitment is deemed made each time MOH approves a proposal development loan or loan increase.

The reporting of budget take-up shall be dollars of capital committed. Dollars of capital equal the amount of the loan approved at each stage of project selection.

6.2 Criteria for Project Commitment

Prior to approving a commitment of subsidy assistance or requesting CMHC to approve an undertaking to insure, MOH will ensure that each commitment application meets all the Non-Profit Housing Program criteria and guidelines, without conditions which are beyond the power of the contracting parties to fulfill within the calendar year

- 11 -

in which the commitment is made, and Section 13 of the Operating Agreement, where applicable.

6.2.1 Subsidy Assistance:

A commitment of subsidy assistance is deemed made when MOH approves a notice of commitment guaranteeing the provision of federal assistance under Section 56.1 of the Act and provincial assistance under Section 2 of the Ontario Housing Development Act, subject to the execution of a project operating agreement between MOH and the owner of the project.

6.2.2 Term of Subsidy Commitment:

The approved notice of commitment obligates MOH and CMHC to provide operating assistance to the project for a period of 35 years or the useful life of the project as agreed to by the parties, whichever is less.

6.2.3 Reporting Commitments:

The reporting of the authorized budget take-up shall be in terms of the number of units committed to be reported on a monthly basis as specified in the Operating Agreement. "Unit" means a unit or bed where a "unit" is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

- 12 -

6.2.4 Loan Insurance:

An undertaking to insure capital financing is deemed made when CMHC approves an undertaking to insure under Part I of the Act.

6.2.5 Commitment Notification/Publicity:

All news releases or announcements pertaining to an allocation or a commitment to a project will be in accordance with program guidelines.

7. ADVANCING

7.1 Proposal Development Assistance Funding Loans

MOH will be responsible for approving and making accountable advances on proposal development assistance funding loans, on behalf of both parties. Such advances shall be secured by a promissory note and repayable from the first project loan advance.

7.2 Insured Loan Advances

MOH will be responsible for approving progress advances, in accordance with program guidelines, which will be made only after it has entered into a project operating agreement with each project sponsor. MOH will provide CMHC reasonable access to all records and documentation pertaining to the authorization of insured loan advances.

- 13 -

7.3 Construction

MOH will be responsible for inspecting and monitoring all projects during construction to ensure compliance with all applicable codes, standards and program guidelines.

7.4 Final Costs

MOH will provide CMHC with a certified statement of final capital costs prepared in accordance with program guidelines for all approved projects no later than six months after the Interest Adjustment Date as defined in and on a form specified in program guidelines.

8. PROJECT/PORTFOLIO ADMINISTRATION

8.1 Project Operating Agreements

All sponsors will enter into a project operating agreement, in a form specified in program guidelines, with MOH before receiving a commitment for subsidy assistance.

Without limiting its scope, the project operating agreement will specify:

Publicity measures, rentals (tenant income verification, rent adjustments and application of the rent-to-income scale); leasing of housing units; contributions; other assistance; sale of project/units; care facilities/special purpose housing; project management; commercial and non-residential facilities; annual review; encumbrances; articles of incorporation/charges; books; accounts; audits; loan repayment; replacement reserves; discrimination; retention of documents; default; mortgage rollover; and interest rates.

- 14 -

8.2 Project Administration

8.2.1 Project Advances:

MOH will ensure public and private non-profit and continuing cooperative housing sponsors are advanced sufficient funds to cover project operating losses during the course of their fiscal year.

8.2.2 Project Monitoring:

MOH will monitor and undertake regular on-site inspections and financial reviews to ensure that project sponsors manage their projects prudently and cost-effectively and continue to respect all conditions in their project operating agreements during the period of the insured loan and payment of federal and provincial subsidies.

8.2.3 Modernization and Improvement:

Expenditures for the modernization, improvement and regeneration in excess of \$100 000 per project or \$1 000 per unit in any one year must be part of a comprehensive portfolio management strategy and explicitly identified in Schedule B of the Operating Agreement or be approved by CMHC on a project basis.

8.2.4 Prepayment:

The prepayment of the outstanding loan balance, the sale of a project/unit or a change in a project's charter can only take place with the approval of both parties.

- 15 -

8.2.5 Management Training

Training and other aids to assist public and private non-profit sponsors and continuing cooperative groups to manage their projects effectively can be cost-shared. Such expenditures are to be charged against management/administration within the annual project operating budget.

8.2.6 Projects in Difficulty:

In the event that projects get into financial difficulty, MOH will advise CMHC and secure its approval of any solution or action that will affect the amount of the financing or the amount of subsidy assistance paid each year on the basis of eligible project costs.

8.3 Loan Insurance Conditions/Project Default

The conditions applying to all new commitments for projects made in accordance with the Operating Agreement for this program that are insured by the Mortgage Insurance Fund are as set out in the Loan Insurance Agreement between Ontario Housing Corporation and CMHC.

8.4 Income Verification

MOH will ensure that all project sponsors, at least annually, verify the adjusted income of the households occupying units in the project and will take steps to adjust the rent to be charged accordingly and in a manner described in Appendix "1" of this Schedule.

- 16 -

8.5 Portfolio Administration

MOH will participate with the other party and other provincial and territorial housing corporations in addressing portfolio management problems, issues and opportunities, in an ongoing effort to achieve economies and efficiencies.

9. ELIGIBLE PROGRAM COSTS:

The eligible program costs will be shared 60/40 by Canada and Ontario.

9.1 Budgetary Expenditures

9.1.1 Proposal Development Assistance Funding:

Eligible budgetary expenditures for cost-sharing include the interest costs on proposal development assistance funding loans for private non-profit and continuing cooperative project proposals for the period between when funds are advanced and the loan is repaid out of the first loan advance. If the project does not proceed to commitment, the forgiveness of these loans will also be shared.

9.1.2 Project Operating Losses:

Subsidies for the eligible portion of projects without on-site care or support services are based on the difference between the eligible portion's share of actual annual operating costs and revenues, with rents based on household adjusted incomes and the rent-to-income scale as specified in Appendix "1" of this Schedule.

- 17 -

Without limiting the scope, listed below are the revenue and expense line items which are acceptable to CMHC for cost-sharing:

- . Revenues: rents; parking; laundry; other.
- . Operating: taxes; insurance; maintenance; management; janitor; space heating; electrical power; water; sewer; garbage removal; modernization/improvement/regeneration; replacement; replacement reserves; training; depreciation (equal to principal reduction on loan) and loan interest.

Subsidies for special purpose projects shall not exceed the difference between (a) the amount required to amortize the eligible project costs within the Maximum Unit Price of the housing project at an interest rate acceptable to CMHC over thirty-five years or the life of the project, whichever is less; and (b) the amount required to amortize the eligible cost of the project if the interest rate charged on such costs were two percent per annum calculated semi-annually and not in advance.

9.1.3 Program Delivery and Administration:

The eligible annual cost of delivery and administration shall be based on performance standards acceptable to CMHC and MOH.

9.1.4 Financing Interest:

Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest

- 18 -

rate acceptable to both parties representative of the actual interest costs incurred by MOH. Interest in such cases will be calculated on net expenditures to the date of reimbursement.

9.1.5 Publicity:

The cost of program and project publicity measures and materials as agreed upon by MOH and CMHC are eligible.

10. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule and specified in program guidelines.

11. INFORMATION REQUIREMENTS

MOH will ensure that all information requirements outlined in Appendix "2" of this Schedule and specified in program guidelines, are provided to CMHC.

Proposal development funding commitment information will be provided no later than 30 days following the month a commitment is made.

Where a comparative selection process for conditional allocations is being held prior to full project commitment, summary information on each project accepted and

- 19 -

rejected will be provided by MOH to CMHC within 30 days following selection but no later than 30 September of the year in progress.

Commitment data will be provided no later than 30 days following the month a commitment is made. This information and updates to commitment data communicated previously would be sent in monthly bundles to CMHC.

Special program or project details permitting the drafting and distribution of news announcements pertaining to program and project allocations and commitments will be described in program guidelines.

Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration, or receiving subsidies, as at 31 December of that year. Annual client data may be provided on the basis of a sample of projects, which is mutually agreed upon in advance by MOH and CMHC.

Annual project operating data will support the final audited statement of expenditures and this, along with the sample client information, will be used as the basis for adjustments in federal payments of subsidy assistance, if necessary.

BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

RENT-TO-INCOME TABLE

MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced unit, no rent will be set lower than \$32 per month.
- For an unserviced unit, no rent will be set lower than \$22 per month.

FEDERAL RENT-TO-INCOME SCALE

INCOME DEFINITION

For purposes of establishing the rent to be paid, MOH will assess the annual "adjusted income" of the household in the following manner:

- . Assess the gross income, in whatever form received, of each member of the household; gross income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- . Exclude from gross income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- . Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years of age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to MOH.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's gross income.

SCALE IN USE

MOH may utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of MOH's scale or the Federal Rent-to-Income Scale produces the lowest annual operating losses. Any scale in use must result in occupant households paying less than 30 per cent of their gross income for fully serviced accommodation.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

INFORMATION REQUIREMENTS: SUMMARY

Pre-Commitment (for Competitive Situations ONLY):

- this data is provided following the completion of conditional unit allocations;
- the following generic data elements are provided for each project accepted or rejected in the project selection process:
 - sponsor's name and address;
 - proposed project's description:
 - location codes,
 - client type,
 - number of units by bedroom count and building form,
 - new and existing,
 - maximum unit price;
 - ranking on seven factors (as available)
 - targetting plan,
 - municipal deep need,
 - existing RGI stock,
 - management capability,
 - project site acceptability,
 - project acceptability,
 - design
 - unit size
 - net/gross ratio
 - cost-effectiveness,
 - total acceptable and eligible costs
 - eligible cost (less equity) to MUP ratio
 - equity contribution.
 - reasons for refusal of proposal (in narrative form).

Commitment Data:

- this data is submitted by way of Project Development Status Report in monthly bundles;
- the Notice of Commitment forms contain the following generic data elements:
 - client type served;
 - project location, codes and address;
 - applicant details, type, name and address;
 - proposal development funding (PDF):
 - amount approved,
 - amount previously approved,
 - account identification information;
 - project description:
 - description of building,
 - number of eligible and ineligible units by unit and building type,
 - use of floor area,
 - maximum unit price;
 - financial data pertaining to eligible and ineligible portions:
 - project financing, amount, terms, rates,
 - equity,
 - grants;

Commitment Data: (Cont'd)

- project eligible and ineligible capital costs:
 - land,
 - improvements (acquisition, construction, renovation, soft costs),
 - appraisal estimate;
- project eligible and ineligible operating data:
 - eligible costs and revenues,
 - other costs and revenues,
 - subsidies, amount and sources;
- project procurement and acquisition technique;
- account identification information.
- this information, or part of it will be updated through a project's life cycle (eg. at commitment of PDF and Section 56.1 assistance, at establishment of IAD, at final audited capital costs).

Client Data:

- this data is provided once a year and pertains to those eligible clients receiving assistance that year;
- the data provided will pertain to: (may be obtained through sampling of client records)
 - household composition,
 - household income and its source,
 - native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - condition and affordability of household's previous dwelling (only for clients newly served during the year).

Project Operating Data:

- this data is provided once a year and contains the following generic data elements segregated for eligible and ineligible costs and revenues as applicable:
 - project operating costs (such as financing charges, utilities, maintenance and replacement reserves),
 - project revenues (such as rents, parking and laundry),
 - management expenses,
 - modernization and improvements.

LOAN INSURANCE AGREEMENT

This Agreement made the day of

Between

Canada Mortgage and Housing Corporation
(hereinafter called "CMHC")

- and -

Ontario Housing Corporation
(hereinafter called "OHC")

1. Purpose

(a) CMHC and OHC agreed in paragraph 13 of the Operating Agreement to cause a loan insurance agreement to be entered into for the purpose of carrying into effect the principles of subparagraph 13 (H) of the Operating Agreement dated the day of , 1986;

(b) Now therefore the parties hereto, in consideration of the mutual covenants hereinafter contained, agree that this is the Agreement referred to in paragraph 13 of the Operating Agreement.

2. Definitions

(a) The definitions contained in the Global Agreement and the Operating Agreement shall apply to this Agreement.

(b) "Cost sharing ratio for each project" shall be the eligible cost sharing ratio established for the program in the Operating Agreement modified to reflect the proportion of the insured loan that is ineligible to be cost shared under the Agreement. The adjustment to the cost sharing ratio shall be based on the relative loan values of the eligible and ineligible portions of the project as accepted by CMHC.

(c) "Eligible project costs" are the capital costs of the subsidy units/beds committed under the non-profit and urban native non-profit housing programs within the lesser of the actual cost, or the maximum unit price applicable to the property at the time of commitment.

(d) "Ineligible project costs" are any capital costs which are in excess of eligible costs as outlined in the Agreement. These include, but are not limited to, additional residential dwelling units, additional non-residential space, commercial space, or any capital costs above the maximum unit price applicable to the property at the time of commitment.

3. Scope of the loan insurance agreement

(a) This Agreement applies to the administration of loans in default, the processing of claims submitted by NHA (National Housing Act) approved lenders on the mortgage insurance fund, the payment of claims to NHA approved lenders, the sharing of the costs of the claims, the administration of the acquired properties, the disposal of the acquired properties, and the sharing of all costs and recoveries from the time of acquisition to the time of disposal of the acquired properties.

(b) This Agreement applies to all new commitments which are insured by the mortgage insurance fund made in accordance with the Operating Agreement under the following programs and any future programs of CMHC and OHC which are agreed to between the two parties:

- Non-profit Housing Program

4. Administration of loans in default

(a) Upon notification by the NHA approved lender to CMHC of a loan account being in arrears for a period of three months or less, CMHC and OHC shall work together to take appropriate action to avoid a claim.

(b) OHC shall inform CMHC of the cause of the property's arrears or potential arrears problem.

(c) CMHC and OHC shall make best efforts to avoid a claim by the provision of additional funds to rectify default, or in instances where it is felt prudent, to have another public or private non-profit group acquire title to the property and assume the existing loan obligation to rectify the default.

(d) CMHC, after consultation with the OHC, shall establish no later than 6 months from the date of default appropriate actions to be taken to satisfy the arrears problem.

(e) All instructions pertaining to administration of loans on projects in default shall be communicated directly to the NHA approved lender by CMHC. CMHC will keep OHC informed of all such instructions.

(f) In the event that it is agreed by CMHC and OHC that a claim on the mortgage insurance fund cannot be avoided, or if the period in paragraph (d) above expires, CMHC shall direct the NHA approved lender, upon notice to OHC, to submit a claim on the mortgage insurance fund.

(g) No costs incurred in rectifying a default in an attempt to avert a claim shall be borne by the mortgage insurance fund. All costs shall be shared by CMHC and OHC in accordance with the relevant cost-sharing ratio for each project as agreed upon by the two parties in the Operating Agreement.

5. Processing and payment of claims

(a) Claims by NHA approved lenders on the mortgage insurance fund will be processed and paid by CMHC through the mortgage insurance fund pursuant to the Act, the National Housing Loan Regulations and applicable guidelines in effect from time to time.

(b) In instances where the claims settlement process includes acquisition of the property, CMHC shall administer the acquired property unless approved otherwise by CMHC.

6. Reimbursement to CMHC on payment of the loan insurance claim

(a) On the date of the payment of the claim to the NHA approved lender, OHC shall pay to CMHC its share of the total claim costs as outlined in subparagraphs (b) and (c) below. CMHC shall give OHC at least one week's written notice of the anticipated date for payment of the claim.

(b) All costs associated with the processing and payment of the claim shall be shared by CMHC and OHC in accordance with the relevant cost-sharing ratio for each property as set out in the Operating Agreement.

(c) All costs associated with the processing and payment of the claim on the portion of the insured loan related to ineligible project costs shall be the sole responsibility of OHC in terms of payment to CMHC in accordance with subparagraph (a).

(d) All supplementary claims made by an NHA approved lender shall be shared as outlined in subparagraphs (b) and (c) above. All additional costs incurred in administering or managing a property between the date of payment of the claim to the date of disposal shall be shared by the parties hereto in accordance with this paragraph 6 and subparagraph 7(a).

(e) Title to properties acquired as a result of payment of a claim shall be held by CMHC on behalf of the parties hereto until disposal in accordance with this Agreement. However, if specifically requested in writing by OHC, CMHC will consent to the transfer of title to OHC and CMHC as tenants in common in accordance with the cost-sharing arrangements established for such project in the Operating Agreement.

7. Administration of acquired properties

(a) The profits or losses incurred in the administration of the acquired property between the date of acquisition and the date of disposal, including, but not limited to, eligible financing costs, administrative costs, operating and maintenance costs, including capital expenditures, less any revenues, shall be shared in accordance with the relevant cost-sharing ratio for that property as set out in the Operating Agreement.

(b) Profits or losses incurred in the administration of the portion of the insured loan related to ineligible costs shall be the sole responsibility of OHC.

(c) All billing and payment of bills associated with the costs outlined in paragraphs (a) and (b) will be made in accordance with the billing and payment procedures outlined in the Operating Agreement.

(d) Best efforts shall be made to dispose of the property in a timely and cost-effective manner in accordance with paragraph 8 hereof.

(e) Between the time of acquisition and the time of disposal, rents and rental increases shall be established by the parties hereto.

8. Disposal of acquired properties

(a) CMHC shall establish, after consultation with OHC, the terms and conditions of disposal of an acquired property, including but not limited to, the purchaser, the sales price and the treatment of in situ tenants after sale. The parties agree to take reasonable efforts, where feasible and prior to sale in the open market, to dispose of a property to a purchaser who will acquire, own and operate the property under one of the programs referred to in subparagraph 3(b) of

this Agreement or another program which CMHC and OHC have agreed to cost-share in the Operating Agreement.

Notwithstanding the aforementioned, if OHC notifies CMHC in writing of its desire to acquire title to a property in its (OHC's) own name absolutely, CMHC will agree to such transfer on payment to it of CMHC's proportionate share of all costs incurred in the acquisition and administration of such property in accordance with this Agreement.

(b) Disposal includes, but is not limited to, the sale of the acquired property, or the demolition of the structure and sale of the land component of the acquired property.

(c) Proceeds on disposal include, but are not limited to, sales proceeds or proceeds resulting from any fire and extended peril insurance settlement.

(d) The proceeds on disposal and the costs of disposal, including but not limited to marketing costs and commissions and costs of sales incentives arising from the sale agreement, and demolition costs, shall be shared by CMHC and OHC in accordance with the relevant cost-sharing ratio for each property as set out in the Operating Agreement. All proceeds on disposal and costs related to disposal on the portion of the insured loan related to ineligible costs shall accrue solely to OHC.

(e) The party to whom the proceeds of disposal are paid shall remit to the other party its share of the net proceeds within 10 days of the closing of the sale, or within 10 days of receipt of funds from a disposal that is other than a sale.

9. Other provisions

(a) Conflict: In the event of conflict between any provision of this Agreement and any provision of the Operating Agreement, the latter shall govern.

(b) Assignment: This Agreement shall not be assigned or otherwise transferred by either party hereto.

(c) Termination: This Agreement shall automatically terminate for any properties that are committed outside of the terms outlined in sub-paragraph 3(b) above.

(d) Books and records: The party administering a property shall keep complete, accurate records, accounts and other documents pertaining to the administration and sale of acquired properties, in accordance with the Operating Agreement for financial auditing purposes.

In witness whereof, the parties hereto have executed these presents on the date first above written.

Canada Mortgage and Housing Corporation

Ontario Housing Corporation

RENT SUPPLEMENT PROGRAM
ONTARIO

Agreement between "Canada Mortgage and Housing Corporation"
and "Ministry of Housing for Ontario".

This Program will be delivered and administered by the
Ministry of Housing for Ontario (MOH).

1. OBJECTIVE

To assist households in need to obtain affordable,
adequate and suitable rental housing by subsidizing rents
in eligible rental dwellings.

2. PROGRAM DESCRIPTION

The Rent Supplement Program provides assistance to
households in need by reducing the rent paid to a
specified proportion of their income. The assistance is
based on the difference between an agreed upon market
rent and the rent charged according to a rent-to-income
scale and based on the household's adjusted income, as
defined in Appendix "1" to this Schedule. To make this
assistance available, MOH and a landlord or housing
cooperative sign an agreement, designating a number of
housing units to be subsidized. The assistance provided
for each unit will be available for a maximum term of
35 years. MOH, its agencies or housing cooperatives
select households in need to be occupants of the unit.

For the purpose of this Schedule, MOH shall be considered
as the eligible contribution recipient under Section 56.1
of the Act and this Schedule shall be deemed to be the
agreement referred to in Section 91.1 of the National
Housing Loan Regulations.

- 2 -

Enabling Federal Legislation

National Housing Act:

- . Section 56.1

Enabling Provincial Legislation

Housing Development Act:

- . Section 2

3. ELIGIBILITY CRITERIA

3.1 Owners

Agreements can be made between MOH and landlords or housing cooperatives. Landlords, housing cooperatives and non-profit corporations receiving other ongoing federal or provincial social housing assistance are not eligible unless they are in receipt of assistance provided under Sections 15, 15.1 or 34.18 of the Act.

3.2 Clients

Eligible clients are those households in core housing need, as defined in the Global Agreement, and those with special purpose housing need.

3.3 Projects

MOH will ensure that all units selected comply with mutually acceptable minimum property standards.

- 3 -

3.4 Occupant Selection

MOH or its agencies will ensure that all households selected to live in housing units assisted under this program will be households in need. Where Rent Supplement units are provided to housing cooperatives funded through the Federal Cooperative Housing Program, 50 percent of the occupants will be selected from public housing waiting lists and the remaining 50 percent by housing cooperatives in a manner acceptable to MOH.

4. ELIGIBLE PROJECT COSTS/ASSISTANCE

4.1 Unit Maintenance Costs

Eligible unit maintenance costs are costs incurred to repair abnormal damages caused by clients of the program or decoration expenses needed above those required of landlords or housing cooperatives as specified in subsection 7.4 of this Schedule.

4.2 Assistance/Eligible Costs

The assistance is based on the monies required to pay the difference between the rent paid by the Rent Supplement client and a market rent which would be reasonable, given the characteristics of the unit and market conditions, and which will have been agreed to by MOH in its agreement with the owner of the unit.

- 4 -

5. PROJECT SELECTION/DELIVERY PROCESS

5.1 Targetting

With the exception of Rent Supplement units for the Federal Cooperative Housing Program, MOH will be responsible for ensuring that Rent Supplement units are allocated to geographic areas and to priority groups on the basis of need, in accordance with the approved three-year plan attached as Schedule B of the Operating Agreement. Rent Supplement units for the Federal Cooperative Housing Program will be made available to cooperative projects committed by CMHC, as set out in the approved three-year plan.

Taking into account the planning process, MOH will assist families and senior citizens within the priority groups with the intent to direct assistance in accordance with their share of core housing need relative to each other. Within the core housing need income limits, the number of units directed to households at the upper income levels will not exceed their proportionate share of need.

5.2 Project Selection

MOH will ensure that units providing the best value for money are selected. Where possible, a public tendering process should be used in the selection of projects and units. In selecting units, MOH will inspect the units to be designated for receipt of Rent Supplement assistance

- 5 -

to ensure that they comply with housing standards acceptable to MOH and CMHC.

MOH may permit clients to select their own unit providing that the rent required for that unit does not exceed a level established by both parties, that the unit meets all program criteria, and that it is made clear to the client that the Rent Supplement assistance remains with the unit and does not follow the client should that client decide to move to other premises.

In allocating its units, MOH will also ensure that 30 percent of the units available through the Federal Cooperative Housing Program are provided Rent Supplements, as set out in Schedule B of the Operating Agreement.

6. COMMITMENT/AGREEMENTS

6.1 Commitment

A commitment is a written undertaking to subsidize a specifically identified number of units and to incur budgetary expenditures related thereto.

A commitment is deemed to have occurred once an agreement is signed between MOH and a landlord or housing cooperative, for a specified number of housing units which will be subsidized.

- 6 -

Upon MOH signing the initial agreement, Canada and Ontario commit to each other to provide assistance to that unit, subject to the reallocation provisions of 7.6, for a period of 35 years.

The reporting of the authorized budget take-up will be the number of units committed. "Unit" means a unit or bed where a unit is a self-contained dwelling in detached or multiple housing form to be occupied by one eligible household; and a "bed" is the bed to be occupied by each individual resident in a special purpose housing project or hostel.

Commitment documentation is to be communicated by MOH to CMHC by way of a notice of commitment form provided in program guidelines.

6.2 Agreement with Owners

MOH will ensure that the terms and conditions of the agreement with landlords or eligible housing cooperatives will be as approved by MOH and CMHC, and without limiting their scope, will contain references to: occupant selection; term of leases; security deposits; lease renewals; unit vacancies; unit maintenance; timing of payments to the owner; and renewal of the agreement.

- 7 -

7. PROJECT/PORTFOLIO ADMINISTRATION

7.1 Income Verification

MOH will verify at least yearly the adjusted income of the household occupying the Rent Supplement unit and will take steps to adjust the rent to be charged accordingly and in a manner described in Appendix "1" of this Schedule.

7.2 Rent Review

Rents charged by landlords or housing cooperatives will be reviewed and agreed to yearly by MOH. In situations where MOH has agreed to rent adjustments based on escalation clauses, the acceptable conditions associated with making such adjustments will be reviewed.

7.3 Duration of Leases

MOH will ensure that all initial leases between the landlord or housing cooperative and the tenant will be for a term of one year or more.

7.4 Maintenance of Units

MOH will ensure that landlords or housing cooperatives participating in this program maintain the units in a state of good repair. This will be achieved by way of on-site inspections carried-out with a frequency agreed to by MOH and CMHC.

- 8 -

7.5 Repair of Units/Redecoration

MOH will agree to incur expenses to repair abnormal damages done by the occupants of Rent Supplement units. MOH will also agree to incur expenses to redecorate the units if required prior to the cyclical maintenance of units by the landlord or housing cooperative, as described in subsection 7.4 of this Schedule.

7.6 Unit Reallocation

A Rent Supplement commitment is for a term of 35 years. Within this 35-year period, a unit designation may be transferred to another unit or project of comparable cost upon expiry of the agreement with the landlord or housing cooperative, or may be renewed for the same unit.

During the period of agreement with the landlord or housing cooperative, if a household becomes ineligible or vacates a unit, MOH may revoke the unit designation and, with the consent of the landlord or cooperative, may transfer it to another housing unit or project of comparable cost for the remaining term of the 35-year commitment.

A maximum of nine months may occur between the revocation of a unit designation or the expiration of the landlord or co-op agreement and its redesignation to another project or unit. After such nine months, the remaining portion of the 35-year commitment will be withdrawn. No subsidies will be paid between the revocation and redesignation dates.

- 9 -

Where a unit is transferred to another housing project, it is understood that such unit will be chosen as part of the selection process as identified in subsection 5.2 of this Schedule. Following this unit transfer, MOH will notify CMHC of the redesignation of the unit on a notice of commitment form specified in program guidelines. CMHC will be notified in the same manner of unit revocations.

8. ELIGIBLE PROGRAM COSTS

Eligible program costs will be shared by Canada and Ontario on a 60/40 basis. These costs consist of:

8.1 Budgetary Costs

Budgetary costs include:

- . the funds required to pay the difference between the agreed market rent and rents collected from the clients;
- . the unit repair/redecoration costs as defined in subsection 7.5 of this Schedule;
- . all eligible annual costs of delivery and administration based on performance standards acceptable to CMHC and MOH, including fees incurred in delivery.
- . Any financing interest payable on budgetary receipts and disbursements will be calculated at an interest rate acceptable to both parties representative of the actual interest costs incurred by MOH. Interest in

- 10 -

such cases will be calculated on net expenditures to the date of reimbursement.

8.2 Exception

Rent Supplement assistance may be made available to clients in non-profit and cooperative projects committed prior to 1979 under Sections 15, 15.1 and 34.18 NHA, provided that Ontario has matched the financial assistance provided by Canada through these sections of the Act and as specified in program guidelines.

9. BUDGETING AND CLAIMS

The financial reporting requirements for budgeting and claims are outlined in Appendix "3" to this Schedule, and detailed in program guidelines.

10. INFORMATION REQUIREMENTS

MOH will ensure that all information requirements outlined in Appendix "2" to this Schedule, and specified in program guidelines are provided to CMHC.

Commitment data will be provided no later than 30 days following the month a commitment is made. This information and updates to commitment data communicated previously would be sent in monthly bundles to CMHC.

- 11 -

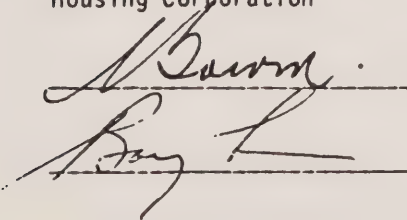
Information pertaining to clients served by the program will be obtained once a year and no later than 31 March of the subsequent year. This will provide details on clients served in all units under administration, or receiving subsidies, as at 31 December of that year. This data may be provided on the basis of a sample of projects, which is mutually agreed upon in advance by MOH and CMHC.

Project operating data will be communicated yearly and in support of the audited statement of expenditures. MOH will ensure that this data is reconciled with such audited statement, as it may be used, in addition to sample client data, as the basis for adjustments to claims, if necessary.

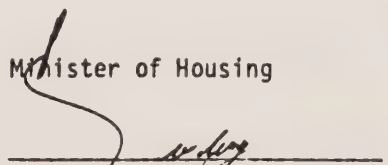
In Witness Whereof, the parties hereto have set their hands and seals in execution of these presents.

Signed at Toronto this 28th day of February
nineteen hundred and eighty-six in quadruplicate.

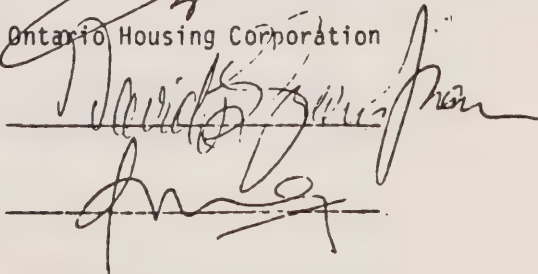
Canada Mortgage and
Housing Corporation



Minister of Housing



Ontario Housing Corporation



FEDERAL RENT-TO-INCOME SCALE

INCOME DEFINITION

For purposes of establishing the rent to be paid, MOH will assess the annual "adjusted income" of the household in the following manner:

- . Assess the gross income, in whatever form received, of each member of the household; gross income includes for example:
 - salary, wages, commissions, rents, investment income, part-time earnings, tips, alimony maintenance payments and child support received from a separated or divorced spouse;
 - Unemployment Insurance Benefits, Social Assistance, Mother's Allowance, Welfare;
 - Old Age Security Pension, Guaranteed Income Supplement, CPP/QPP pension, private pensions or annuities;
 - the first \$5 800 income, in whatever form received, of children or dependents of the household.
- . Exclude from gross income the following, for each household member, if applicable:
 - family allowances, if they were included previously;
 - living-out or travelling allowances of any household member;
 - monies received from insurance settlements, inheritance, disability awards, sale of effects, capital gains;
 - the income, in whatever form received, of children or of dependents, if such children or dependents are in full-time school attendance;
 - work-related earnings of a single parent, working spouse or any other household member, excluding the household head, up to \$1 000 per year per qualifying household member;
 - for children or dependents not in full-time school attendance, the above-noted \$1 000 deduction can be applied against income in whatever form received.
- . Calculate the total income of all household members, after having considered all eligible income exclusions. The result of this is the "annual adjusted income" of the household.

For the purpose of this rent-to-income scale, a child is a person, related by blood or marriage to other members of the household, and of 25 years of age or less. A dependent is a member of the household who is considered a dependent of another member of this household per the requirements of Revenue Canada. A dependent of 25 years of age or less qualifies for the same income definitions and exclusions provided to children of the household.

If any member of the household is self-employed, the work-related earnings of this household member will be the annual net income, as defined by Revenue Canada, before any personal income tax deductions, plus any capital cost allowance used in the determination of the above net income.

In all cases, a verification/confirmation of the income of household members must be obtained; for example, a statement signed by the employer, or in the case of the self-employed, a copy of the most recent income tax return or other evidence satisfactory to the MOH.

For the purpose of calculating rent, boarders are considered as members of the household and their income shall be considered on the same basis as other household members in the determination of the rent. Room and board paid to the household head or spouse will not be considered as part of the household's gross income.

BASIC RENT

The basic rent will be determined on the basis of the household's annual "adjusted income", calculated on a monthly basis, and as applied against the following rent-to-income table.

RENT-TO-INCOME TABLE

MONTHLY INCOME AND RENT

Adjusted Income (\$)	Per Cent	Adjusted Income (\$)	Per Cent
192	16.7	349	23.8
201	17.4	358	24.0
210	18.1	367	24.3
220	18.6	376	24.5
229	19.2	386	24.6
238	19.7	395	24.8
247	20.2	404	25.0
256	20.7	416	25.0
266	21.1	428	25.0
275	21.5	440	25.0
284	21.8	452	25.0
293	22.2	464	25.0
303	22.4	476	25.0
312	22.8	488	25.0
321	23.1	500	25.0
330	23.3	508 and up	25.0
340	23.5		

If the household is in receipt of social assistance, whether or not social assistance is the principal source of income, the basic rent will be the greater of the shelter component of welfare or the rent as determined on the basis of the above table, in conjunction with the household's total adjusted income.

RENT ADJUSTMENTS

- The basic rent is that payment required on the part of the occupant(s) of the dwelling for fully serviced accommodation supplied with heat, water, hot water, stove and refrigerator.
- Where the client of the program must pay for any of the services identified as part of a fully serviced unit over and above their basic rent, such basic rent will be reduced by an amount which will take into account the client's additional expenses.
- Where services other than those identified as part of a fully serviced unit are provided, the basic rent will be increased to reflect the full economic costs of providing such services.
- There will be no rent maximum set unless specifically approved by CMHC.
- For a fully serviced unit, no rent will be set lower than \$32 per month.
- For an unserviced unit, no rent will be set lower than \$22 per month.

SCALE IN USE

MOH may utilize a rental scale of its own but operating losses eligible for assistance from Canada will be determined on the basis of whichever of MOH's scale or the Federal Rent-to-Income Scale produces the lowest annual operating losses. Any scale in use must result in occupant households paying less than 30 per cent of their gross income for fully serviced accommodation.

CLIENT INCOME FLUCTUATIONS

A client's rent will be set once a year and that rent will not be adjusted during the year for income increases. Rent reductions during the year will however be permitted in instances where a client household supplies documented evidence that its income has decreased to a level which would result in a rent reduction of \$10 per month or more.

INFORMATION REQUIREMENTS: SUMMARY

Commitment Data:

- . this data is submitted by way of notice of commitment forms in monthly bundles;
- . the notice of commitment forms shall contain the following generic data elements:
 - project location, codes and address;
 - proprietor details, type, name and address;
 - date of agreement and subsidy commencement dates;
 - unit description;
 - agreed rent and its components;
 - details pertaining to unit transfers;
 - delivery agent type;
 - account identification information.
 - matching contributions (Sect. 15, 15.1, 34.18)

Client Data:

- . this data is provided once a year and pertains to clients receiving assistance in that year;
- . the data provided will pertain to:
 - type of owner (non-profit corporation, housing coop (with or without ILM), private landlord),
 - household composition,
 - household income and its source,
 - native ancestry,
 - presence of special needs,
 - size and type of dwelling occupied,
 - rent paid,
 - previous dwelling conditions (only for households newly served during the year; may be obtained through sampling of client records).

Operating Data:

- . this data is provided once a year and contains the following generic data elements:
 - agreed market rents,
 - rents paid by clients,
 - repairs paid on clients' behalf,
 - subsidies paid,
 - arrears.
 - matching contributions (Sect. 15, 15.1, 34.18)

